

LAW AND THE ART WORLD

Tax cautions and other updates

By Bill Frazier ©2013

In the New Year, we have no idea what the United States Congress is going to do with, and about, many pressing tax issues. We are finding more and more tax increases and deduction limitations in hitherto unread legislation passed in the last few years and the possible end of many tax benefits for most people.

Artists, along with many others, may find limits on what they can expense off for studio equipment or other costs. If things from the studio, other than artwork, are sold – for example, props or foundry equipment – the capital gains tax may be higher. Do not for a minute believe that there will not be tax increases for the middle class that we heard so much about in the national election. Just get ready!

Many of the tax benefits that we all take for granted may be on the way out, so I caution you to meet with your accountants and tax lawyers sooner rather than later this tax season. For many of the tax changes, the IRS does not yet even have the relevant software developed, nor can they answer questions.

Artists and art galleries tend to be small, one-person or family businesses and all will be impacted. Tax advice will be essential. Whatever additional changes or fixes Congress does make will have been done by the time you read this article. I just hope we all will be pleasantly surprised.

Count on your accountant

In the January/February issue of *State of the Arts*, I wrote about the different reporting and appraisal requirements for both cash and non-cash donations to non-profit and tax exempt charitable organizations. That information remains correct as of the time of this writing, but may also be subject to revision as other tax laws are revised to generate more revenue, that is to say, circumventing the no-new-tax pledges from both political parties.

Just be aware of the possibility – if not probability – of change in these requirements for deducting your contributions to art and other organizations. The IRS restriction against artists, or anyone else, deducting the fair market value of their own work product remains the same.

The IRS is under great pressure to assist in generating new tax revenue for the government and is clamoring for funds to hire additional auditors. With this in mind, I urge

caution in carefully following the charitable deduction regulations. Do not give them a red flag for auditing your tax return.

Make your accountant your new best friend. The United States government, represented by the IRS, needs vast amounts of new money to pay for all of the new programs, stimulus expenditures and other programs and promises, and taxation is the only way to get it. There will also be increases in service fees because such increases are not called taxes – for example, copyright and trademark registration fees and other such fees charged for government services.

The efforts by many interested artists and arts groups to restore the fair-market-value charitable tax deduction for the donation of one's artwork to qualified organizations continue, but passage by this cash-strapped Congress in this economy seems unlikely.

Beware of losing tax-exempt status

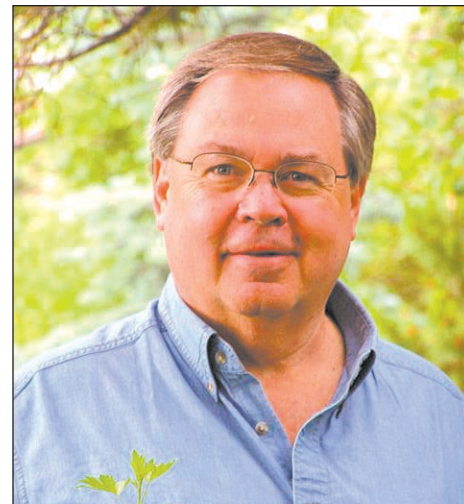
Many of you are involved with non-profit and tax-exempt art and educational organizations. The IRS is tightening its reporting requirements for such organizations. It is trying to gain as much additional taxation as possible and at the same time eliminate as many such organizations as possible for failing to report. Many of these charitable and tax-exempt organizations have neglected or failed to account properly for their assets and income.

Those of you who serve and volunteer with non-profits and tax-exempt groups should satisfy yourselves that your organization is not in danger of losing its tax-exempt status and is conforming to generally accepted accounting standards. If the exemption is lost, it will be much more difficult to re-establish it.

New scam masquerading as IRS

Further on the subject of the IRS, please be aware that the IRS does not use email to correspond with taxpayers. If you receive an email claiming to be from the IRS, beware. In all likelihood, it is an attempted scam or what is often referred to as "phishing." Report it to the IRS at: phishing@irs.gov.

A new scam is making the rounds, ostensibly coming from the United States Department of State. The sender claims to be reconciling reimbursement of foreign payments, whatever that means, and declares that you are going to get \$8.5 million dollars. They are going to pay this to you through an ATM



Bill Frazier

card issued by Sun Trust Bank to be delivered by FEDEX. All you have to do is renew your treasury account, again whatever that is, and send them \$267 dollars and your social security number. Do Not Do This.

Why the United States State Department has singled you out for this payment is unclear, but it is not legitimate. This is a new variation on what is generally referred to as the Nigerian scam. As I say over and over, if it sounds too good to be true, it usually is.

Artists: Read exhibit, auction invitations carefully

As I try to remind artists every year at about this time, you will soon be receiving invitations to art shows and art auctions, both commercial and charitable. It is very important to read all of the information carefully so that you will know what you are getting into. Most are responsible and straight-forward in their presentations, but some are not, and they are always the ones we worry about.

Be aware of issues about valuation of your artwork for insurance purposes, reserve prices for sales, and any information about payment to you. I urge you not to enter any auction that is advertised as "without reserve." That simply means that if an auction sells your work without reserve, they may sell it for whatever bid is received even if unreasonably low. Always assign a reserve price to your work so as not to lose it to a low-ball bid.

Bill Frazier served a lengthy and invaluable tenure as chairman of the Montana Arts Council. He's in private practice in Big Timber, and can be reached at 406-932-5453 or artlaw@mtintouch.net. MAC thanks Art of the West for permission to reprint this series.



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When to hit "send"

Want to make sure your email doesn't get lost in someone's inbox?

Instead of sending important emails before you leave at the end of the day, send them first thing in the morning.

According to a new study, messages sent between 6 a.m. and 7 a.m. are about three times more likely to be opened than those sent at 4 p.m.

Those messages are at the top of the list when people check their inbox in the morning.

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Tech Talk: Setting up a website with WordPress

By Mark Ratledge

As I outlined in my last Tech Talk column, some businesses and organizations use social media sites – like Facebook – as de facto websites. Social networking sites are great for marketing and outreach because they have literally billions of users. But a problem with using social networking for your sole business or organizational website is that the resulting appearance is not very professional because you can't control other people's comments and links they add.

One of the reasons people use social networking sites as websites is because they feel that setting up their own website can be a daunting task. There's no one in the organization who can take it on, or there's no money to hire and manage someone else to do the work.

But there is a viable website option to be aware of, and it's called WordPress. WordPress is a free web "app" service that allows anyone to easily set up a nice looking and full-featured website. A WordPress website will appear very professional and can include all the usual functions, like image galleries, menus, email contact forms, links to all of the social networking services and more. You

can choose from hundreds of out-of-the-box free designs.

And as a result of being free and easy to set up, WordPress is currently one of the most popular web apps in use, with estimates of 50 million websites built with it.

To get started, go to wordpress.com. You will be walked through the process of setting up a WordPress account and your blog. You will need an email address to open a WordPress account. (If you don't have one, go to gmail.com and get a free email account.)

WordPress still refers to its sites as "blogs," because WordPress started out as a blogging platform. But a blog is only one aspect of a website, and with WordPress, you have a lot of control over how your site is structured.

During the WordPress.com sign-up process, you'll be asked about how you want the website address to appear. If you use the version of WordPress that is completely



Mark Ratledge is an information technology consultant. His website is markratledge.com.

free, your address will be mysite.wordpress.com.

If you want your address to look more professional, such as mysite.com, you need to register a domain. You can register a domain through WordPress.com for \$18/year. But registering a domain is not necessary, and can be done later if you change your mind.

Once you have registered during the first few steps, you'll need to confirm your email address. After you confirm, the next few steps of the

process will ask if you want to follow different trending blog subjects or connect with your social networking friends, but you can click through those because they're optional, and move on to deciding on a design for your site and adding content.

Next issue: Choosing a design for your site and other last steps and options